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COASTAL 沿海
COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 01124)

MAJOR TRANSACTION

THE AGREEMENT

On 14 April 2015 (after trading hours), Coastal China and Shenzhen Chuangzhixin, wholly owned subsidiaries of the Company, entered into the Agreement with Gaosheng Shunxin, Beijing Meilehong and Zhongzhou Huayuan, all being Independent Third Parties, in relation to the acquisition of the Sale Capital by Coastal China for an aggregate consideration of RMB602,700,000 (equivalent to approximately HK\$746,840,000).

LISTING RULES IMPLICATIONS

The Acquisition, when aggregated with the Previous Acquisition, constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among others, details of the Acquisition, will be despatched to the Shareholders as soon as practicable and within 15 Business Days of this announcement in accordance with the Listing Rules.

On 10 March 2014, Coastal China entered into an agreement with Zhongzhou Huayuan pursuant to which Zhongzhou Huayuan agreed to co-ordinate and assist Coastal China or its associated company during the period from 10 March 2014 to 9 June 2015 to acquire (i) 45% of the registered and paid up capital of the Target Company, at a consideration of not more than RMB340,000,000; or (ii) more than 45% of the registered and paid up capital of the Target Company at a consideration to be agreed and the Group has paid the refundable Deposit of RMB281,040,000 (equivalent to approximately HK\$348,253,000) to Zhongzhou Huayuan, which was intended to be used for the purpose of the Acquisition. The Deposit was determined based on the maximum consideration of RMB340,000,000 (equivalent to approximately HK\$421,314,000) for the acquisition of 45% of the registered and paid up capital of the Target Company less the consideration of RMB37,000,000 (equivalent to approximately HK\$45,849,000) for the Previous Acquisition. In the event that Zhongzhou Huayuan shall fail to co-ordinate the acquisition of 41% of the registered and paid up capital of the Target Company, Zhongzhou Huayuan shall repay the Deposit (together with interest at an interest rate of 10% per annum) to Coastal China.

Zhongzhou Huayuan is independent of and not connected with the Target Company and its shareholders. As Zhongzhou Huayuan had the relevant network to assist Coastal China to proceed with the purchase and any negotiation necessary with the Target Company, Coastal China entered into the relevant agreement with Zhongzhou Huayuan. As transactions of such kind usually involve long term negotiations, Zhongzhou Huayuan required the Group to pay the Deposit at the beginning of the negotiation.

On 1 April 2014, Shanghai Coastal, a wholly owned subsidiary of the Company, entered into an agreement with Beijing Huazi, an Independent Third Party, to acquire 4% of the registered and paid up capital of the Target Company at a consideration of RMB37,000,000 (equivalent to approximately HK\$45,849,000). The Previous Acquisition was completed in April 2014.

On 25 July 2014, Shenzhen Chuangzhixin, a wholly owned subsidiary of the Company, entered into an agreement with Shanghai Coastal to acquire 4% of the registered and paid up capital of the Target Company at a consideration of RMB37,000,000 (equivalent to approximately HK\$45,849,000). Such transfer was completed in July 2014.

The Board announces that on 14 April 2015 (after trading hours), Coastal China and Shenzhen Chuangzhixin, wholly owned subsidiaries of the Company, entered into the Agreement with Gaosheng Shunxin, Beijing Meilehong and Zhongzhou Huayuan, all being Independent Third Parties, in relation to the acquisition of the Sale Capital by Coastal China for an aggregate consideration of RMB602,700,000 (equivalent to approximately HK\$746,840,000).

THE AGREEMENT

Date: 14 April 2015 (after trading hours)

Parties: (1) Gaosheng Shunxin; and
Beijing Meilehong (as vendors);
(2) Shenzhen Chuangzhixin (as purchaser);
(3) Coastal China;
(4) Zhongzhou Huayuan (as co-ordinator)

To the best knowledge and information of the Directors, (i) Gaosheng Shunxin is principally engaged in provision of investment management; (ii) Beijing Meilehong is a company established in the PRC with limited liability and is principally engaged in provision of investment management; and (iii) Zhongzhou Huayuan is a company established in the PRC with limited liability and is principally engaged in provision of investment management and consultation.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors, Zhongzhou Huayuan and their respective ultimate beneficial owner(s) are Independent Third Parties.

Shenzhen Chuangzhixin is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Coastal China is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Assets to be acquired

Pursuant to the Agreement, Shenzhen Chuangzhixin shall acquire the Sale Capital, representing 81% equity interests in the Target Company, as to 41% equity interests from Beijing Meilehong and as to 40% equity interests from Gaosheng Shunxin.

Consideration

The Consideration payable for the sale and purchase of the Sale Capital shall be RMB602,700,000 (equivalent to approximately HK\$746,840,000).

The Consideration is payable in the following manner:

- 1) as to RMB281,040,000 (equivalent to approximately HK\$348,253,000) has been paid by the Group to Zhongzhou Huayuan in cash as refundable Deposit in April 2014 and will be applied to settle part of the Consideration upon Completion; and
- 2) the balance of the Consideration shall be payable by Shenzhen Chuangzhixin to the Vendors in cash within nine months after the date of the Agreement.

The Consideration for the Acquisition was determined after arms' length negotiations with reference to the unaudited net asset value of the Target Company as at 31 December 2014 of approximately RMB460,450,000 and the valuation surplus of the Land amounting to RMB293,231,000 resulted from the difference between the preliminary valuation of the Land of RMB892,000,000 as at 31 December 2014 and the unaudited net book value of the Land of RMB598,769,000 and taking into account any unpaid land premium. The preliminary valuation was arrived at by adopting the direct comparison method. The valuation premium represents approximately 49% of the unaudited net book value of the Land.

The Directors consider that the terms and conditions of the Acquisition are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Consideration will be paid by the Group by its internal resources and/or loan financing.

Conditions

Completion is conditional upon the fulfilment of the following conditions:

- (a) the passing by the Shareholders at the SGM of the ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder;
- (b) the Target Company having obtained all necessary consent and approval relating to the Acquisition; and
- (c) the obtaining of all land use rights certificates for the Land.

In the event that the above conditions are not fulfilled on or before 31 December 2015 (or such other date that may be agreed by the parties in writing), the Agreement shall lapse and the Deposit (together with interest at an interest rate of 10% per annum) shall be refunded in full to the Group and none of the parties to the Agreement shall have any further obligations towards the other thereunder except for any antecedent breaches (if any).

Completion

Completion shall take place within 30 calendar days upon fulfilment of the conditions precedent under the Agreement.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in property development. The principal assets of the Target Company are six parcels of land located at Ji Xi City, Hei Long Jiang, the PRC, which are acquired from the local government in 2012, with a total site area of approximately 215,611 sq.m. for a term of 70 years for residential use or 40 years for commercial use.

The Target Company is obliged to construct affordable houses with GFA of 150,490 sq.m. on a site area of approximately 43,943 sq.m.. The land use rights for the site of such affordable houses have been obtained. The Land is in the stage of demolition work and construction.

The Target Company has obtained the land use rights for two parcels of land with aggregate site area of approximately 61,700 sq.m. for residential usage. The Target Company is in the progress of applying the land use rights for the remaining four parcels of land with aggregate site area of approximately 153,911 sq.m. for residential usage and the obtaining of the land use rights for the remaining four parcels of land is subject to final payment of land premium of RMB46,000,000 (equivalent to approximately HK\$57,001,000) as a requirement for obtaining the said approval from the local government. There is no deadline for the payment of outstanding land premium. As advised by the PRC legal adviser of the Company, although the Target Company has not yet obtained the land use rights for the remaining four parcels of land, there is no material legal impediment for the Target Company to obtain such land use rights once the Target Company makes the final payment of land premium to the local government. The Target Company is closely monitoring the progress of the development and will make the final payment of land premium to the local government after the issuance of pre-sale permit of the first phase of the development project whereby presale of the properties will commence. The Target Company will use the proceeds from pre-sale of the first phase of the development project to pay for the final payment. The planning permit and the construction permit have been granted to the Target Company regarding the first phase of the development project. The land use rights for the remaining four parcels of land is expected to be granted to the Target Company in the second half of 2015.

As at the date of this announcement, the Target Company is owned as to 42% by Beijing Meilehong, 40% by Gaosheng Shunxin, 14% by 劉藝春 (Liu Yichun*) and 4% by Shenzhen Chuangzhixin.

The financial information of the Target Company for the two financial years ended 31 December 2013 and 2014 as prepared in accordance with generally accepted accounting principles in the PRC are set out below:

	For the year ended 31 December 2014	For the year ended 31 December 2013
	(unaudited)	(audited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Loss before taxation	9,802,000	16,238,000
Loss after taxation	9,802,000	16,238,000
Net assets	460,450,000	470,836,000

Upon Completion, the Target Company will become an 85% non-wholly owned subsidiary of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in property development, property investment and provision of property management services.

The development projects of the Group are located in a number of first and second tier cities such as Beijing and Shanghai, as well as in Anshan, Chongqing, Dalian, Dongguan, Foshan, Shenyang and Wuhan. It is the Group's business strategy to develop quality residential estates for the PRC middle to upper class domestic market. The Acquisition is of a revenue nature in the ordinary and usual course of business of the Group. The Acquisition will expand the Group's property development portfolio in Northeast China region, which is in line with the Group's strategy to maintain geographically well-diversified land portfolio. It is proposed that the Land will be developed into a residential development by three phases with an estimated total GFA of about 679,568 sq.m. in which GFA of 150,490 sq.m. is affordable houses to be built for the local government without reimbursement. The first phase is expected to be available for pre-sale in the second half of 2015 and the whole development is expected to be completed in 2017. The first phase has a total GFA of 176,960 sq.m. including affordable houses with GFA of 150,490 sq.m.. The presale of the first phase with GFA of 26,470 sq.m. is expected to generate proceeds of approximately RMB300,000,000 (equivalent to approximately HK\$371,747,000). The construction of the development is expected to be financed by bank borrowings and the proceeds from pre-sale of residential units.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Acquisition are on normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition, when aggregated with the Previous Acquisition, constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition or are required to abstain from voting at the general meeting to approve the Acquisition.

A circular containing, among others, details of the Acquisition, will be despatched to the Shareholders as soon as practicable and within 15 Business Days of this announcement in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Capital
“Agreement”	the agreement dated 14 April 2015 entered into between the Vendors and Shenzhen Chuangzhixin in relation to the Acquisition
“Beijing Huazi”	北京華資國信投資管理有限公司 (Beijing Huazi Investment Management Company Limited*), a company established in the PRC with limited liability

“Beijing Meilehong”	北京美樂紅投資顧問有限公司 (Beijing Meilehong Investment Consultancy Company Limited*), a company established in the PRC with limited liability
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in the PRC throughout their normal business hours
“Coastal China”	Coastal Realty Investment (China) Limited, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Company”	Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms of the Agreement
“Deposit”	the refundable deposit in the amount of RMB281,040,000 (equivalent to approximately HK\$348,253,000)
“Directors”	directors of the Company
“Gaosheng Shunxin”	晉中市高盛順鑫投資企業(有限合夥) (Jinzhong City Gaosheng Shunxin Investment Enterprises (Limited Partnership)*)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Land”	the six parcels of land located at Ji Xi City, Hei Long Jiang, the PRC with a total site area of approximately 215,611 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Acquisition”	the acquisition of 4% of the registered and paid up capital of the Target Company by Shanghai Coastal from Beijing Huazi
“Sale Capital”	81% of the registered and paid up capital of the Target Company

“SGM”	the special general meeting of the Company to be convened to approve the Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the share(s) of HK\$0.10 each in the share capital of the Company
“Shanghai Coastal”	Shanghai Coastal Commercial Investment Management Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of the Company
“Shenzhen Chuangzhixin”	深圳創智信投資管理有限公司 (Shenzhen Chuangzhixin Investment Management Company Limited*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	恒祥房地產開發有限公司 (Hengxiang Real Estate Development Company Limited*), a company established in the PRC with limited liability
Valuer	DTZ Debenham Tie Leung Limited, an independent valuer
“Vendors”	both Gaosheng Shunxin and Beijing Meilehong
“Zhongzhou Huayuan”	北京中洲華遠專案投資管理有限公司 (Beijing Zhongzhou Huayuan Project Investment Management Company Limited*), a company established in the PRC with limited liability
“GFA”	gross floor area
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	squared metres
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB0.807 to HK\$1.

By order of the Board
Coastal Greenland Limited
Jiang Ming
Chairman

Hong Kong, 14 April 2015

As at the date of this announcement, the Board comprises Mr. Jiang Ming, Mr. Tao Lin, Mr. Cai Shaobin and Ms. Wang Hongmei as executive Directors, Mr. Lu Jiqiang and Dr. Dai Jingming as non-executive Directors and Mr. Chen Xiaotian, Mr. Wong Kai Cheong and Mr. Yang Jianguang as independent non-executive Directors.

* for identification purpose only